

'Tis the Season for Family Drama: Seventh Circuit Explains Reverse Trademark Confusion in Battle Over Family Name

January 2, 2020 – The TMCA

by Ben Kappelman

People

opelman

Capabilities

ark, Copyright
tising
ual Property
n



Just in time for the holidays, the U.S. Court of Appeals for the Seventh Circuit resolved a lawsuit rooted in the spirit of the season—family drama. *Fabick, Inc. v. JFTCO, Inc.* recounts a dispute that pit brother against brother and offers insight into the doctrine of reverse trademark confusion. The trademark at issue? The family's good name, of course.

A Family's Name, a Trademark, and a Lawsuit

This story begins with the patriarch, John Fabick, founder of multiple businesses throughout the Midwest. In 1982, the John Fabick Tractor Company bought two Caterpillar equipment dealerships serving Wisconsin and the Upper Peninsula of Michigan. John's son Joseph Fabick, Sr. then moved to Wisconsin and founded FABCO, a business selling Caterpillar equipment, attachments, and parts. FABCO launched a subsidiary, *Fabick, Inc.* in the early 1990s. Fabick, Inc.'s business focused

on spray-on sealants for use in the beds of pickup trucks and similar vehicles. In 1994, Fabick, Inc. obtained a trademark registration for “FABICK” for “polyurethane-based and polyurea-based sealers and protectants to be applied as a coating to hard or flexible surfaces.”

One of Joseph Sr.’s sons, Jeré, worked for FABCO, while another, Jay, worked for Fabick, Inc. Tensions between the brothers made this unworkable, and by the early 2000s, Jeré had taken over FABCO, while Jay assumed sole ownership of Fabick, Inc. The two companies coexisted peacefully for a time.

In 2015, the John Fabick Tractor Company formed a new subsidiary, JFTCO, which purchased FABCO and took over its operations. JFTCO began operating as a Caterpillar dealer and launched an extensive effort to rebrand under the trade name “Fabick CAT.” Fabick, Inc. accused JFTCO of trademark infringement, alleging the rebranding resulted in confusion, evidenced by consumers calling Fabick, Inc. looking for JFTCO and Fabick, Inc. receiving checks intended for JFTCO. At trial, the jury found JFTCO liable for federal trademark infringement.

Both parties appealed. JFTCO challenged the sufficiency of the evidence to support Fabick, Inc.’s infringement claim as well as the court’s jury instructions. Fabick, Inc. found the trial court’s remedies inadequate, and it appealed the court’s refusal to award lost profits or grant a broad injunction barring JFTCO from using the “Fabick” name in any context.

The Seventh Circuit’s Explanation of Reverse Trademark Confusion

The Seventh Circuit explained that Fabick, Inc. had proven a less common, but still actionable, theory of trademark infringement under the Lanham Act—reverse trademark confusion. In a typical infringement case, a smaller junior user attempts to profit from a larger senior user’s goodwill by imitating its mark. In a reverse confusion case, a larger junior user saturates the market with a mark confusingly similar to that of a smaller senior user. The junior user may not be trying to profit from the senior user’s goodwill, but the senior user is harmed anyway, as the public assumes the senior user’s products are really the junior user’s or that the two have somehow become connected. The senior user loses the value of its corporate and product identities, loses control of its goodwill and reputation, and is limited in its ability to move into new markets.

The Seventh Circuit found sufficient evidence to support the jury’s verdict that Fabick, Inc. had proven JFTCO liable for reverse trademark infringement. It also approved the district court’s modification of a standard jury instruction permitting the jury to find infringement if: “[D]efendant JFTCO used the FABICK mark in a manner that is likely to cause confusion as to the source or origin of plaintiff’s product **or that [Fabick, Inc.] has somehow become connected to JFTCO.**” (The language the district court added to the Seventh Circuit Pattern Jury Instruction 13.1.2 is bolded.) This additional language was appropriate in a reverse confusion case because it was accompanied by other instructions that required the jury to find the confusion about a connection between Fabick, Inc. and JFTCO related to the parties products or services, not just “vague

'general confusion' in the ether," which would not support infringement.

For its part, Fabick, Inc. challenged the district court's refusal to award it lost profits or enjoin JFTCO from using the mark "Fabick" in any business context. The Seventh Circuit relied on other cases finding "meager justification" for profit awards in reverse confusion cases and affirmed. As it explained, the junior user in a reverse confusion case is not trying to take away the senior user's customers through confusion, meaning the junior user's profits are not a proper basis for damages. The Seventh Circuit also affirmed the district court's limited injunction requiring JFTCO to use certain disclaimers and notifications for five years to inform consumers that JFTCO and Fabick, Inc. are not related. A limited injunction was within the district court's discretion because the case rested on a reverse confusion theory involving a small number of Fabick, Inc.'s customers, the parties were formerly related entities that did not compete, and they were disputing the use of a shared family name.

Tips for Avoiding This Issue

Although this case has some interesting points for families operating unrelated businesses under the same name, a broader audience will appreciate its lessons on reverse trademark confusion. In particular, larger businesses evaluating new marks should consider the risks of liability for reverse confusion when they weigh potential marks in use by smaller senior users. Those smaller users may have rights, whether against unrelated entities or junior users they know all too well. Early attention to this issue can avoid fights in court and at the holiday dinner table.